

Message Text

LIMITED OFFICIAL USE

PAGE 01 WELLIN 00252 292311Z

44

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 COME-00 L-03 CIAE-00 INR-10

NSAE-00 RSC-01 PA-04 PRS-01 USIA-15 DRC-01 /058 W

----- 125788

P 292240Z JAN 74

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC PRIORITY 7536

LIMITED OFFICIAL USE WELLINGTON 0252

EO 11652: NA

TAGS: EFIN, NZ

SUBJ: KRAFT CO. IN NEW ZELAND

REF: STATE 17309

1. SUMMARY- NEGOTIATIONS BETWEEN KRAFT FOODS AND JR BUTLAND PTY. LTD. OWNDER NZ CHEESEE, LTD., WITH NEW ZEALAND DAIRY BOARD (NZDB) TO ESTABLISH CHEESE PROCESSING PLANT IN NZ STARTED EARLY 1971. NZDB CONSULTATIONS ENDED IN AGREEMENT MID-1973 ON CONTRACTUAL ARRANGEMENT ON JOINT 60/40 KRAFT/BUTLAND OPERATION MAKE PROCESSED CHEESE UNDER CONTROL OF NZDB. PUBLIC INTEREST WAS SUDDENLY FANNED BY PRESS REPORT OF NZDB'S AGREEMENT TO KRAFT "TAKEOVER". MINISTERS OF FINANCE AND AGRICULTURE AND FISHERIES WERE ALSO REPORTED AS FAVORING TAKEOVER. MEMBERS OF NZ DAIRY FARMING INDUSTRY AND LABOR UNIONS TOOK UP THE CRY AGAINST KRAFT. AFTER INITIAL LOW KEY EFFORT TO DEFEND AND EXPLAIN ARRANGEMENT GNZ LEADERS AND NZDB BECAME SILENT TO ALLOW EMOTIONS TO COOL. IN NOVEMBER NZDB ANNOUNCED ITS CONCURENCE. DAIRY FARMERS AND UNION REACTION OF "ANTIS" WAS RAPID. GNZ REMAINED SILENT ON ITS PENDING APPROVAL.

2. EARLY IN 1971 KRAFT FOODS LTD., OF MELBOURNE FIRST NOTIFIED NZ DAIRY BOARD (NZDB) OF WISH TO ESTABLISH A CHEESE PROCESSING AND PREPACKAGING OPERATION IN NZ.

3. RESPONSE WAS THERE SHOULD BE SOME NZ EQUITY PARTICIPATION.

4. ON JUNE 8, 1972, GEN MGR. NZDB NOTIFIED IN

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 WELLIN 00252 292311Z

WRITING ALL NZ CO-OP DAIRY COMPANIES OF AGREEMENT BETWEEN

NZDB AND KRAFT WHEREBY KRAFT WOULD SET UP A CHEESE PROCESSING PLANT IN NZ. THERE WAS NO KNOWN ADVERSE COMMENT.

5. ON JULY 4, 1972, BUTLAND INDUSTRIES AND KRAFT REPRESENTATIVES MET WITH NZDB TO EXPLAIN JOIN VENTURE PROPOSAL. THIS FOLLOWED UP WITH WRITTEN DETAILS IN LETTER JULY 7, 1972. NZDB OFFERED NO ADVERSE COMMENT.

6. AS AN ALTERNATIVE TO REQUEST OF NAZDB FOR EQUITY PARTICIPATION, ON FEB 21, 1973 KRAFT OFFERED A CONTRACTUAL ARRANGEMENT TO MANUFACTURE ALL NAZDB'S REQUIREMENTS OF PROCESSED CHEESE AND SHARE IN THE PROFITS OF PROCESSED CHEESE MANUFACTURERS.

7. NZDB ADVISED BUTLAND ON MARCH 13, 1973 IT READY TO ENTER INTO APPROPRIATE NEGOTIATIONS TO FORMALIZE CONTRACTUAL ARRANGEMENT.

8. UNDER CONTRACTUAL ARRANGEMENT KRAFT WOULD PURCHASE RAW CHEESE ONLY FROM NZDB OR BY ARRANGEMENT WITH NZDB. ALL KRAFT EXPORT SALES OF PROCESSED CHEESE WILL BE MADE UNDER CONTROL OF NAXB AND IN CONFORMANCE NZDB TRADING POLICIES. KRAFT WILL PROCESS AND PACKAGE CHEESE FOR NZDB UNDER ITS BRANDS ON REQUEST. NO LIMIT ON PROCESSED CHEESE BUT LIMITED SALES OF NATURAL CHEESE, SUBJECT TO PERIODIC REVIEW.

9. PRESS REPORTS IN MID 1973 OF AGREEMENT TO ARRANGEMENT BETWEEN NZ CHEESE LTD., AND KRAFT GENERATED STRONG STATEMENTS AGAINST ARRANGEMENT BY FEDERATED FARMERS AND FEDERATION OF LABOUR SPOKESMEN AND ESPECIALLY PRESIDENT WELLINGTON TRADES COUNCIL T M HILL. CHARGES OF HARM KRAFT REPORTEDLY HAD DONE TO DAIRY SECTOR IN OTHER COUNTRIES WERE REPORTED. HILL SPOKE TO THE PRESS OF BRINGING CANADIAN NATIONAL FARMERS UNION REP TO NEW ZEALAND TO TELL OF CANADIAN FARMERS' BOYCOTT OF KRAFT FOR DEPRESSING FARMERS INCOMES.

10. MINISTER OF TRADE AND INDUSTRY W. FREER ATTEMPTED EXPLAIN ADVANTAGE TO NZ OF ARRANGEMENT BUT IN FACE OF ABOVE NAMED OPPOSITION'S CONTINUED BLASTING OF ARRANGEMENT AND QUESTIONING THAT ACTIONS OF GNZ WERE PROTECTING INTERESTS OF NZ AGAINST MULTINATIONALS, GNZ INDICATED IT WAS WITHOLDING FINAL APPROVAL FOR TIME BEING. NO FURTHER PUBLIC STATEMENTS.

11. NZDB CHAIRMAN AND GENERAL MANAGER WERE IN CHICAGO IN NOVEMBER TALKING TO KRAFT AT TIME. AFTER LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 WELLIN 00252 292311Z

THEIR RETURN AND CONSULTATION WITH GNZ, NZDB ANNOUNCED ITS AGREEMENT TO TAKEOVER. THIS BROUGHT ACCUSATIONS OF NZDB'S OFFICIALS HAVING BEEN PRESSURED. THIS WAS DENIED. SILENCE ENSURED.

12. GNZ HAS MADE NO FURTHER ANNOUNCEMENT ON ITS POSITION, THOUGH IT IS UNDERSTOOD NOT TO HAVE CHANGED ITS SUPPORT OF ARRANGMENT AS BENEFICIAL TO NZ.

13. SIR J.K. BUTLAND, OWNER OF J.R. BUTLAND PTY.LTD., PREPARED PRESS STATEMENT IN NOVEMBER REVIEWING HISTORY NEGOTIATIONS AND NOTED BENEFITS TO NZ. HE CITED ADDED EXPERTISE KRAFT CAN BRING TO OPERATION TO STIMULATE DOMESTIC CHEESE CONSUMPTION AND INCREASE EXPORTS PROCESSED CHEESE. ARRANGEMENT WOULD ENABLE NZ SHAREHOLDERS WITH 40 PERCENT OF EQUITY TO MAINTAIN 50 PERCENT VOTING RIGHTS. STATEMENT POINTED OUT EXISTING PLANT AND FACILITIES COULD BE UTILIZED. NZDB WAS ASSURED EXPORT PACKING ITS BRANDS AND SHARE IN PROFITS. UNQUALIFIED UNDERTAKING BY FRAFT NOT TO MANUFACTURE BULK CHEDDAR CHEESE UNLESS REQUESTED TO DO SO BY NZDB. NZDB WILL HAVE COMPLETE CONTROL OF PRICE OF BULK CHEESE. UNFORTUNATELY, THERE WAS LITTLE PRESS PLAY OF THIS STATEMENT.

14. PRESIDENT FOL IN CONVERATION WITH CHARGE IN LATE NOVEMBER GAVE IMPORESSION HE SEEMED TO BE SEARCHING FOR CONVINCING ARGUMENTS OF THE TYPE WHICH COULD CONVINCE LABOR UNION PEOPLE THAT KRAFT DEAL WASN'T SO BAD AFTER ALL.

15. DURING CONVERSATION WITH CHARGE J. BUTLAND STRESSED THAT IN ADDITION TO OTHER REASONS FAVORING JOINT VENTURE SIGNIFICANT ADDED ADVANTAGE WOULD BE OPENING OF IMPORTANT MARKETS FOR NZ CHEESE SALES IN AREAS WHERE KRAFT PRODUCTS ALREADY ESTABLISHED. SUGGESTION BY CHARGE TO J. BUTLAND OF POSSIBLE USEFULNESS OF TALKING TO PRESIDENT FOL TO EXPLAIN ADVANTAGES OF ARRANGEMENT AND ALLAY CONCERN WAS UNFORTUNATELY NOT ACCEPTED.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 WELLIN 00252 292311Z

16. MATTER STANDS PRETTY MUCH AT DEAD CENTER NOW. GNZ IS UNDERSTOOD STILL TO FAVOR BUT BECAUSE OF POLITICAL SENSITIVENESS HAS NOT ANNOUNCED ITS FINAL APPROVAL AND REMAINS SILENT. APPARENTLY, IT IS AWAITING A PROPITIOUS MOMENT WHEN DANGER OF REVIVIED PUBLIC CONTROVERSY SUBSIDES.

17. NO KRAFT OFFICIALS HAVE CONTACTED EMBASSY. EMBASSY, NOT IN ANYWAY INVOLVED, HAS MADE NO PUBLIC COMMENT.
WOOD

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, CHEESE, CONTRACTS, NEGOTIATIONS, LABOR UNIONS, INDUSTRIAL PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974WELLIN00252
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: WELLINGTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974017/aaaaagiz.tel
Line Count: 165
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 17309
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUL 2002 by shawdg>; APPROVED <08 JUL 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KRAFT CO. IN NEW ZELAND
TAGS: EFIN, NZ, KRAFT FOODS, JR BUTLAND PTY LTD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005